論　　説

EUROPEAN AND INTERNATIONAL PENSION SYSTEM REFORM STRATEGIES : THE LITHUANIAN CASE

Professor
Mykolas Romeris University, Faculty of Law,
Department of Labour Law and Social Security
Ateities 20, LT–08303 Vilnius, Lithuania
E–mail : audriusb@mruni.eu

Audrius Bitinas

Abstract. *The aim of this article is to analyze the recommendations of the international organizations and European Union in the field of the pension system reforms, to define the Lithuanian pension system model and implemented reforms following to these recommendations.*

Problems of the Lithuanian pension system are similar to the other European Union countries ; therefore international organizations recommendations and indications for future reforms should be evaluated and implemented.

The pension system reform of 2003 and 2011 raised the wide discussion on the state social pension insurance system future development of Lithuania. This reform clearly demonstrates that the government in 2003 opted for a liberal position and in 2011 – it was decided to strengthen state social insurance guarantees.

Moreover, Lithuanian population is ageing rapidly (low birth rate, longer life expectancy) and ageing influences all society and requires pension system reforms more complex and pressing.

Keywords : *pension system, reform, crisis, ageing, funded pension system.*

Introduction

The aim of state social insurance is to reduce the poverty and to protect persons from the poverty due to the occurrence of social risks, to promote social inclusion and equity between different social groups. State social insurance is based on the solidarity principle, i.e. social security contributors in real–time finance social security beneficiaries. The available means are no more sufficient to meet the new ends. This is particularly evident as regards the objective of extending social security coverage to all, beyond the formal economy to the masses of population living in abject poverty and insecurity.[1]

At the end of XX century, European Union countries faced with social changes in family and employment structure (growth of the number of divorces, increased demand for highly skilled professionals etc.), economic changes (decreasing economic growth and deindustrialization) and demographic challenges (ageing). Principles of social solidarity and social security, the fight against poverty faced with a liberal conception of economic development (i.e. the social security system should not hinder economic development and only liberal labour market can better regulate social security). The traditional concept of the welfare state has changed because of increasing of social security costs and the slowdown in economics, therefore states tried to find new forms of organization and management of the social security systems. The four challenges for the pension systems could be determinate: i) people are living longer (but they are retiring earlier than they were 40 years ago; ii) the large generation of baby–boomers is now retiring (but the following generations are smaller); iii) some employees have been promised pensions linked to their salaries (defined–benefit schemes); iv) private sector employers are now providing pensions in which the payouts are linked to the investment performance of the funds concerned.[2]

European Union countries began to reform state social insurance systems in the past decades, which aim to reduce the budget deficit, promote efficiency and strengthen the state social insurance guarantees. M. Ferrera emphasized that a genuine European invention, public protection schemes were introduced to respond to the mounting "social question" linked to the industrialization and the disruption of traditional, localized systems of work–family–community relations and the diffusion of national markets (based on free movement and largely unfettered economic competition within the territorial borders of each country) profoundly altered the pre–industrial structure of risk and need.[3]

State social pension insurance and other types of social insurance and reforms in Lithuania and in other European Union countries, is an ongoing process because of changing economic, political and social phenomena, developing the concept of reforms strategies, increasing the European Union's institutions activity in the field of pensions etc. Today we could underline common challenges to be met by Europe's social security systems: demands for more personal choice and quality improvements in services and benefits; the impacts of globalization (greater flows of people, goods, services and capital across national borders); population ageing and economic, fiscal and social fallout of the current economic crisis.[4]

Financial sustainability and growth of the public debt is a problem not only in the European region but also in other regions. According to the OECD (Organisation of Economic Cooperation and Development) data, the public sector's debt in Japan reached 198 percent of GDP (in 2010), which is much more than the USA (93 percent of GDP), United Kingdom (81 percent of GDP), France (92 percent of GDP) and more than in Greece (129 percent of GDP).

European projections clearly demonstrates thar the ageing processes and the need for additional fi-

---

1 International Labour Office. Social security and the rule of law: general survey concerning social security instruments in light of the 2008 Declaration on social justice for a fair globalization (ILC.100/III/1B). International Labour Office, Geneva, 2011.

2 Special report pensions. The Economist, April 9th, 2011.

3 Ferrera, M. Mapping the components of Social EU: a critical analysis of the current institutional patchwork. *In* Marlier, E. and Natali, D. (eds.). Europe 2020: Towards a more social EU? Work and Society No. 69, P.I.E. Peter Lang S.A, Brussels, 2010, p. 45.

4 International social security association. Dynamic social security for Europe: choice and responsibility: developments and trends. International social security association, Geneva, 2010, p. 93.

nances in the EU–27 will intensify: a modest recovery in the total fertility rate is assumed (from 1,52 births per woman in 2008 to 1,64 by 2060); life expectancy at birth for men would increase by 8,5 years (from 76 years in 2008 to 84,5 in 2060) and for women would increase by 6,9 years (from 82,1 in 2008 to 89 in 2060); the number of the oldest class of old age persons (aged 80 years and above) is projected to increase almost tripling (from 22 million in 2008 to 61 million in 2060); the ratio of people aged 65 or above relative to the working–age population aged 15–64 is projected to more than double (from 25,4% in 2008 to 53,5% in 2060); the effective economic old–age dependency ratio (the ratio of elderly non–workers to workers) for the EU–27 is projected to rise from 37% in 2007 to 72% in 2060 (ratio in 2007 was nearly 4 elderly non workers for 10 workers and in 2060 is projected more than 7 to 10).[5]

Analysis of recent pension reforms have rendered pension systems more vulnerable to economic shocks and have shifted financial and economic risks to individuals. But we should emphasize that most of the reform debates over recent decades were implicitly analyzed by the perceived or real need for financial stabilization, not by the social stabilization. Social stabilization implies that pension levels are not allowed to fall below a certain minimum benchmark–for example article 65 (1) of International Labour Organization Convention 102 requires a pension to be at 40 percent of the total of the previous earnings of the beneficiary after 30 years of service.[6]

N. Takayama emphasizes that under a pay–as–you–go system, early beneficiaries are winners; in contrast, younger actively working generations and future generations are losers. This is inescapable a "legacy debt " problem.[7]

International Monetary fund already in 1998 indicated that the current deficits and the actuarial imbalances of the public pension programs are expected to be aggravated by, or are the result of, ageing population not anticipated when the programs were created. Attempts to financially stabilize the pension programs can be aimed at raising the contribution rates and/or cutting the benefits to the retirees either by increasing the retirement age or by reducing the size of the pensions. But the latter option is often politically difficult and some may consider as unfair: the government would be reneging on an explicit contract.[8]

Pension system reforms should be done in accordance with the social solidarity and legitimate principles. Article 52 of the Constitution of the Republic of Lithuania provides that State shall guarantee to citizens the right to receive old age and disability pensions as well as social assistance in the event of unemployment, sickness, widowhood, loss of the breadwinner, and in other cases provided for by laws. The Constitutional Court of the Republic of Lithuania in the ruling of 26 September 2007 noted that the principle of solidarity means that the working (pursuing active economic activities) per-

---

5 European Commission. The 2009 Ageing report: economic and budgetary projections for the EU–27 member states (2008–2060). European Commission, Luxembourg, 2009.

6 International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011, pp. 62–63; 113–117.

7 N.Takayama. *Shared Responsibility for Retirement Income: The Asian Perspective*. AARP Reinvesting Retirement Asia Conference, Workshop 2, Tokyo, 15 March 2007.

[http://assets.aarp.org/www.aarp.org_/cs/gap/takayama_0703.pdf]

8 International Monetary fund. *Increasing dependancy ratios, pensions and tax smoothing (working paper No. WP/98/129)*. Washington: IMF, 1998.

sons who receive insured income contribute to accumulation of social insurance funds, thus creating preconditions to pay payments to those persons, who must be paid the payments provided for in the law due to the fact that they have reached the pensionable age for old age pension, disability in their regard has been recognized or there are other reasons provided for in the law (*inter alia* when these members of society cannot work and provide for themselves due to the objective reasons provided for in the law). On the other hand, the solidarity principle also implies that the persons who pay state social insurance contributions have the right to receive, in cases and under conditions provided for in the law, to receive themselves state social insurance pensions and/or other payments, thus, they acquire a corresponding legitimate and reasonable expectation.

The Constitutional Court of the Republic of Lithuania in the ruling noted that persons have the right to a monetary payment of a respective amount, i.e. the property right (*ruling of 25 November 2002*) . Under Article 23 of the Constitution, this right must be protected and safeguarded. In the conditions of an economic crisis the state can reduce pensions but the reduced part of pension should be compensated (when the state social insurance fund's budget will be balanced) in the future (*ruling of the Constitutional Court of 20 April 2010*).

State social pension insurance system reforms and effective governance should be done analyzing the best practice in other countries, identifying the social, economic and cultural phenomena in the country and identifying necessaries changes in the pension system preventing from the future financial shocks.

1. Main elements of Lithuanian pension system

Lithuania's pension system model is based on classical Bismarkian principles (earning related benefits and state's guarantees) and from 2002 to 2008 had social security fund budget surplus.

Pension expenditures in Lithuania in 2007 was only 6,8 percents of GDP and it was almost twice lower than an average of EU–27 (11,8 percent of GDP in 2007) : this is due to a more favourable population structure and to the fact that in the pre–crisis rapid economy growth period pensions have increased at a lower pace than the GDP. Without any pension reform the replacement rate (male worker retiring at 65 after 40 years of career) in the first pillar will decline from 48 percent to 35 percent in 2048.[9]

Pension expenditures in Lithuania will grow : the change of the age–related expenditure 2007–2060 will be 4,6 percents of GDP (in EU–27 is projected 2,4 percents of GDP over the period 2007–2060), but despite of negative prognosis showing increase in pension expenditure in Lithuania, there are some factors which could mitigate the increase in the pension system and could be introduced during crisis : tightening of the eligibility for a public pension (through higher retirement age and/or reduced access to early retirement and better control of alternatives to early retirement like disability pensions), higher employment rates and reduced generosity of pensions relative to wages.[10]

---

9 European Commission. Joint report on pensions : Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (country profiles). EPC Secretariat, SPC secretariat, Brussels, 2010, p. 88.

10 European Commission. The 2009 Ageing report : economic and budgetary projections for the EU–27 member states (2008–2060). European Commission, Luxembourg, 2009.

The last economic recession strongly impacted Lithuanian pension system reforms. Therefore the reforms started quite late and government had to cut pension benefits level firstly.

1.1. First pillar : statutory social insurance pay-as-you-go scheme

In Lithuania exists old age, work-incapacity (disability), widows'/widowers' and orphans' pensions. In 2004 an early retirement pension scheme for the long-term unemployed persons (if less than 5 years were left until the retirement age) has been introduced (0.4% reduction for every full month remaining until and after the retirement age).

Legal retirement age is 62.5 years for men (from 2003) and 60 years for women (from 2006) until 2012. From 2012 to 2026 pensionable age will be gradually increased till 65 for men and women.

Social insurance contributions for pensions : 23.3 % of gross wage-employer contributions, 3 % of gross wage-employee contributions. In Lithuania there is no automatic indexation rules, no minimum social insurance pension and no income tax is levied on pension benefits paid from the statutory schemes.

A person can continue working and to receive his earnings from work together with the pension (excluding temporary measures during crisis from 2010 to 2012).

Social assistance pensions provides minimum income to those not eligible to social insurance pensions (old-age, disability and survivors') and financing from the state budget. Social assistance pension calculated in relation to the basic pension. The amount of the social assistance pension in case of old age is equal to 90% of the basic pension (about 41% of the minimum monthly salary).

1.2. Second pillar : statutory private quasi/mandatory funded pension scheme

In the year 2000 the Government of the Republic of Lithuania adopted the Concept of the Pension system reform. The Concept provides also that the first level (pillar) of pension system of Lithuania should guarantee the state social security pension (retirement, disability, widows and orphans). The second level (pillar) is quasi/ mandatory funded pensions operated by the private pension funds. The third level (pillar) of the pension system is an additional voluntarily funded pension system (operated by pension funds or life insurance companies).

In July 2003 the Parliament adopted a Law on Funded Pensions. The Law on Funded Pensions provides that from 1 January 2004 the part of the contributions will be transferred to the private pension funds (if person decides to participate). The reasons to introduce funded pension system were deterioration of demographic situation, sustainability of the pension system and the surplus (in 2002) in the state social security budget.

Reform of the funded pension system means that direct financial obligations of the state for future pensioners reduced : the state obligations are smaller about 21.5 percent (whereas the contribution rate for the first pillar mandatory social security pensions drops by 5.5 percent) ; however the adequate or bigger pension part should be accumulated in the private pension funds (which would make investments in financial market). Pension accumulation should increase the total pension level (without increasing the contribution rate) and should encourage savings.

Contribution rate to the funded system fixed by 2,5 percent for the first year and increased every year by 1 percent to 5,5 percent maximum. There were no restrictions for participation by age (below the legal retirement age). For annuity calculation sex–specific life tables are used and a supplementary part of the old–age pension is reduced in proportion to the size of the contribution rate transferred to the pension accumulation.

Funded pension system participant can receive accumulated benefits at the retirement age established in the Law on State social security pensions. The volume of the accumulated sum depends on the annuity period, transferred contributions, investment results and the level of administration costs of the pension funds. Every year pension funds must inform participants about the level of accumulated sum.

Law on Funded Pensions defined that lack of finances in the budget of social security (because of transferred contributions to the private funds) may be financed from the assets received after privatization of the state property, from the assets of the state budget and other sources of financing. Each year the Law on the Approval of Indicators of the Budget of the State Social Insurance Fund of the Republic of Lithuania provides the compensation level for the state social fund.

Participation in the funded pension system was active; however this may be related to the Government incentives explaining in mass media positives points to accumulate. Relatively big part of older population (from 45 year) accumulates in this funded pension system (about 28 percent of total population participating in this scheme in 2010). About 85 per cent of people covered by state social insurance accumulated this type of pension in 2010.

Economic crisis strongly influenced the funded pension system. Implementing the program of the Government of the Republic of Lithuania and in order to ensure sufficient funds for the fulfillment of present budget commitments of the State Social Insurance Fund, the rate of a portion of state social pension insurance contributions transferred to pension funds was temporarily reduced from 5,5 to 2 per cent of the employee's salary in 2009–2011. Approximately 30 per cent of agreements of participants in the accumulation of pensions are inactive (7 percentage points more as compared to 2009), i. e. a portion of the social insurance contribution is not transferred to their accounts (these are the unemployed, mothers raising children, migrants etc.).

The introduction of the funded pension system decreased the guarantees of the social security pensions and oriented the Lithuanian pension system into Anglo–Saxon model: the state social security system became partly dependent on the state budget and situation in the financial or labour market; participant of the funded pension system has less state guarantees and the level of first pillar pension decreased.

1.3. Third pillar: voluntary private funded and occupational pension schemes

Third pillar started operating only in 2004. Voluntary accumulation can be in private funds or life–insurance companies.

Also in 2006 the Parliament adopted the Law on Occupational pensions. The aim of this law is to encourage employers to provide additional social guarantees for the employees. This law implements the Directive of the European Parliament and the Council 2003/41EC on the activities and supervision of institutions for occupational retirement provision. Occupational pension schemes have the same tax advantages as the third pillar pension savings in pension funds or life–insurance companies. Law on Occupational pensions provides two occupational pension management types: occupational pension schemes in the pension funds associations and in the life-insurance companies. Today there are no occupational pension funds currently operating in Lithuania according this law.

2. Measures during economic crisis

Economic crisis of 2008 was an additional financial shock for the pensions system among continuous problems since last decades : ageing society (longer live expectance, better health conditions, low fertility, dependency ratio etc.), engagements of the pay-as-you go pension systems (raising costs of pension system), unstable results of funded pension system (funded pension schemes not function better as pay-as-you go pension system and downturns in financial markets).

According to the Eurostat and Ministry of Social protection and Labour of Lithuania projections, the population of Lithuania will decline to 2,5 million from 2009 to 2060, the elderly population (aged 65 and older) will more than double from 16 to 32,7 per cent. It means that instead of the current ratio of people of working age to people over 65 years of age, which stands at 1.6, only 1 will remain. Lithuania has one of the highest negative rates of crude migration (net) in EU-27 (-4,6 percent against 1,9 percent in EU-27 and majority emigrants are 20-34 years.[11] But in Lithuania still relatively high employment of the older workers (55-64 years) : the employment rate of older workers in 2009 was higher (51,6 percent) than the average of EU-27 (46 percent in 2009). It could be pointed out that the average of expected increase in pensions expenditure in EU-27 will raise 2,4 percent of GDP.[12]

From the economic recession of 2008 the problems of pension system financing raised in European countries. Latvia and Lithuania were strongly affected by the economic crisis. In Lithuania (according to the data of Lithuanian statistics institution) GDP declined from 2,9 (in 2008) to minus 14,7 (in 2009) and economic growth returned only in 2011 ; unemployment rate raised from 5,8 percent in 2008 to 17,8 percent in 2010 ; employment rate (15-64) declined from 64,3 percent to 57,8 percent. According to the Eurostat data, public sector debt growth from 15,6 percent of GDP (2008) to 38,2 in 2010. In Latvia pensions for working pensioners decreased by 70 per cent and pre-retirement pensions decrease from 80 per cent of the full benefit to 50 per cent, retirement pensions and length-of-service pensions decrease by 10 per cent overall.

In response to the global economic crisis, other countries reviewed the benefits or taxation of the pension system. For example, Ireland introduced a pension levy of 1 percent across all wage earners and announced a freeze in welfare expenditure for at least two years. In Hungary the 13th-month pension and the 13th-month salary have been scrapped and the future pension increases will be indexed to GDP growth and inflation rather than wages and inflation. In Sweden a special feature was added in the form of an "automatic balancing mechanism" in the notional defined contribution system : special calculation methods have been established to make it possible to estimate the long-term assets and liabilities of the pay-as-you-go scheme (if the estimated liabilities of the system exceed its assets, the annual indexation both of acquired pension rights and pensions in payment is supposed to be auto-

11 European Commission. Joint report on pensions : Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (country profiles). EPC Secretariat, SPC secretariat, Brussels, 2010, p. 87.

12 European Commission. The 2009 Ageing report : economic and budgetary projections for the EU-27 member states (2008-2060). European Commission, Luxembourg, 2009.

matically reduced for the period necessary to bring back equilibrium). Automatic adjustment mechanisms, linking pension entitlements to the state of the pension system's finances, also exist in different forms in Germany and the Netherlands (occupational pensions).[13] European Commission noted that the purpose of automatic adjustment mechanisms is to maintain the balance between revenues and liabilities in pension schemes, and these mechanisms impact on both intergenerational adequacy and sustainability. These mechanisms imply that the financial costs of demographic changes will be shared between generations subject to a rule. To a varying degree they link : i) life expectancy to pension eligibility or replacement rates ; ii) economic performance in terms of GDP growth or labour market performance (with valorisation of entitlements or indexation of benefits) ; iii) balance of the system to valorisation of entitlements or indexation of benefits and contribution rates with indexation of benefits.[14] OECD (Organisation for Economic Co–operation and Development) noted that automatic link between pensions and a change in life expectancy could be : mandatory defined–contribution schemes substituting for or adding to public pension provision (the accumulated contributions and investment returns must be converted from a lump sum into a regular pension payment–annuity and the calculation of annuity should be based on the life–expectancy of retirees at the time of retirement) ; transformation of public, earning related plans into notional–accounts schemes (also include an annuity calculation and at the time of retirement, all accumulated contributions and notional interest is converted into a periodic payment) and a link between benefit levels or qualifying conditions for pensions and life–expectancy.[15]

Analysis shows that while some of the losses incurred during the crisis may be recovered during economic recovery relatively quickly, a complete restoration of pension finances may take many years (it means that people have lost a number of years of savings due to the financial crisis) and might not recover during their remaining active life (because of vulnerability of pension levels in defined contribution schemes).[16] The crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe's economy, the world is moving fast and long–term challenges : globalization, pressure on resources and ageing.[17] Because the public pension replacement rates in general declined in the EU, reforms have given and will continue to give rise to greater individual responsibility for outcomes and it is important to provide sufficient opportunities for complementary entitlements : e.g. enabling longer working lives and increasing access to supplementary pension schemes.[18]

International Labour organization (ILO) notes that the repercussions that these developments will

13 International Labour Office. Worls social security report 2010/2011 : providing coverage in times of crisis and beyond. International Labour Office, Geneva, 2010, pp. 113–116.

14 European Commission. Joint report on pensions : Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (occasional paper). EPC, SPC, DG for Economic and Financial Affairs and DG Employment, Social Affairs and Equal Opportunities, Brussels, 2010.

15 Pensions at a Glance 2011. Retirement–income systems in OECD and G20 countries, OECD publishing, 2011, pp. 81–101.

16 International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011, p. 61.

17 European Commission. Communication from the Commission Europe 2020 : A strategy for smart, sustainable and inclusive growth. European Commission, Brussels, 2010.

18 European Commission. Green paper : towards adequate, sustainable and safe European pension systems. European Commission, COM(2010)365 final, Brussels, 2010.

have on contributors and pensions are not straightforward, and will most likely affect people who retire after the crisis but pensions funds in 2008 in many countries suffered enormous losses during the global crisis. Response to the economic crisis is only possible on the basis of *existing* administrative structures, that is, existing social institutions which either can automatically react to changing economic conditions thanks to their design, or can be easily adjusted (e.g. extended) to crisis–induced requirements.[19]

World bank recommends the following medium–term solutions during financial crisis: a) better diversifying the management of financial and other macroeconomic risks; b) making pay–as–you–go systems more sustainable, robust and secure; c) having a well designed zero pillar where affordable and justifiable; d) integrating unemployment savings and insurance options into an overall social insurance system.[20]

When revenue is declining, the simplest way to regulate the social insurance fund budget is to increase state social insurance contributions (employees and employers part) or to reduce benefits. However, these methods cannot be applied as the fastest economic effect because they are indirectly impacting the State's competitiveness and employment policy. The growth of social insurance contributions increase manpower and create the negative investment climate. Reduction of pension benefits (therein for the working pensioners) may affect certain undesirable legal and social implications, raise the questions of social solidarity, social security unity, benefits differentiation and legitimate expectation principles.

On 28 October 2009, a National Agreement was signed between the Government of the Republic of Lithuania and social partners: the largest trade unions, business and employers as well as pensioners' organizations. Under this Agreement, the Government undertook to implement measures for financial consolidation, including a temporary and differentiated reduction in all pensions, pursuing the essential objective to pay social benefits on time, so that recipients of the smallest pensions would be protected and recipients of bigger pensions and other income would jointly assume a heavier burden of reduction (until 2012):

- in 2010–2011 all pension above the threshold of 650 LTL (1 EUR=3,45 LTL) temporally reduced (exception: disabled persons who lost 75–100 % of capacity for work: no reduction) – in average by 5 %.
- Additional reduction for working pensioners–progressively, depending on income (max. reduction –70 %; in average –17 %). No additional reduction for working disabled.

Economic crisis and analysis (indicated in the Concept of the reform of state social insurance and pension scheme of 15 June 2010) showed that there are several problems in pension insurance:

- the current benefit scheme enables the duplication of benefits;
- development of state pensions system (according to the data of the Ministry of Social protection and Labour of Lithuania, over the last 7 years, from 2003 to 2009, funds of the state budget for

19 International Labour Office. Worls social security report 2010/2011: providing coverage in times of crisis and beyond. International Labour Office, Geneva, 2010, pp.106–118.

20 World Bank. The Financial Crisis and Mandatory Pension Systems in Developing Countries [http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNote-Financial_Crisis_12-10-2008.pdf]

pension benefits grew by almost 60 percent (from 247 million in 2003 to 394 million in 2009) ;

- the redistributed part of social insurance pensions (the basic pension) has great significance for the amount of the pension, while the impact of contributions paid by a person is reflected insufficiently, which makes this scheme unattractive ;
- benefits are not linked to the development of this ratio or future life expectancy ;
- the scheme has no incentives to postpone the payment of a pension ;
- the identification of work incapacity and special needs is insufficiently transparent and controlled ;
- the state social insurance scheme is financially vulnerable, because of no established pension reserve fund ;
- the pension benefits indexation is not linked to economic and demographic indicators and is under a strong political impact ;
- no long–term strategy for financing pension accumulation has been developed.

R. Liddle and P. Diamond argued that crisis are not only moments of catastrophe but create unprecedented opportunities for social and economic reform : in the past, change has been very difficult to achieve in EU welfare regimes, precisely because many groups have effectively defended the current constellation of social rights as being in the public interest. Social policy has to operate within the context of robust regulation of markets, instead of relying solely on the post hoc cushioning provided by the central state.[21]

Economic crisis indicated new needs for future reforms which main goal should be long–term financial sustainability, need for wider role of the EU in the social policy field and finding the balance for the crisis influence to the social insurance system.

3. New reforms in 2011

Reforming pension system governments often look for the best practices of the other European Union's states and recommendations of the international organizations. New concept of the pension reform in Lithuania has been adopted after such analysis. Last year the activity of the international organizations expanded because of the significant number of started reforms and economic crises.

International Labour Organisation does not have a specific pension model, but it does have a set of basic requirements for pension systems : *i) universal coverage ; ii) benefits as a right ; iii) equity and fairness ; iv) protection against poverty ; v) replacement of lost income* ; *vi) collective actuarial equivalence of contributions and pension levels ; vii) guarantee of a minimum rate of return on savings* (the real value of contributions paid into savings schemes should be protected wherever these are part of the national pension systems) ; *viii) sound financing and fiscal responsibility* (schemes should be financed in such a way as to avoid uncertainty about their long–term viability) ; *ix) policy coherence and coordination* (providing affordable access to essential health care and income security to all those in need) ; *x) state responsibility* (the state should remain the ultimate guarantor of the right to affordable retirement and access to adequate pensions, such guarantees can be applied to both PAYG and

21 Liddle, R., Diamond, P. Aftershock : the coming social crisis in the EU and what is to be done. *In* Marlier, E. and Natali, D. (eds.). Europe 2020 : Towards a more social EU? Work and Society No. 69, P.I.E. Peter Lang S.A, Brussels, 2010, pp. 69–90.

fully funded pension schemes).[22]

Therefore, reforming the pension system should be taken not only the traditional simple measures (to reduce benefits and increase contributions), but to launch a new comprehensive social security system and labour law reform, with particular emphasis on means to grow the employment, more flexible employment forms and active social policies (according to the European Union recommendations), to review the entire system of social security benefits (reduce or eliminate some benefits), to introduce health social insurance contributions for pensions (pensions are taxable in many EU countries). Economic Cooperation and Development Organization in the pensions review of 2009 noted that in the face of the economic crisis, the government adopts the short–term practical solutions, meanwhile, long–term strategic plans, which are important to pensioners' incomes, are ignored.[23]

International social security association (ISSA) marked that key policy in the field of pension reforms is to stabilize pension system finances and to increase pensionable age, choosing different options to link pension benefit levels more closely to life expectancy (defined contribution plans as in Hungary and Denmark, notional defined contribution accounts as in Italy and Sweden, adjusting benefit levels in defined benefit schemes as in Finland and Germany or changing qualifying conditions as in France and Denmark) and to introduce mechanisms to stabilize pension system finances by reducing benefits automatically as population ageing causes the ratio of workers to pensioners to decline.[24]

EU member states have attempted to protect adequacy and to respond better to changes in labour markets and gender roles encouraging more people to work more and longer so as to obtain similar entitlements as before ; the move from largely single to multi–tiered systems ; measures to address adequacy gaps (through efforts to broaden coverage, support building up rights, ease access to pensions for vulnerable groups and increase in financial support for poorer pensioners) and gender dimension.[25] OECD stressed that older workers need help to preserve and augment their human capital to make them more employable, seniority–based wages structures (which make it expensive to employ older workers) need to be reconsidered, the health of older workers, working conditions (through rehabilitation, training, improvements in occupational health and raising awareness of the work needs of older workers), to prepare older workers for greater job mobility at the end of their careers and working–time arrangements also play an important role in retirement decisions.[26]

World Bank notes the rationalization of spending is thus an important complementary policy for financing social pensions. By evaluating the relative merits of public expenditure programs and optimiz-

---

22 International Labour Office. Worls social security report 2010/2011 : providing coverage in times of crisis and beyond. International Labour Office, Geneva, 2010, p. 119.

23 Pensions at a Glance. Retirement – income systems in OECD countries, 2009 // www.oecd.org/els/social/pensions/PAG

24 International social security association. Dynamic social security for Europe : choice and responsibility : developments and trends. International social security association, Geneva, 2010, p. 8.

25 European Commission. Green paper : towards adequate, sustainable and safe European pension systems. European Commission, COM (2010) 365 final, Brussels, 2010.

26 Pensions at a Glance 2011. Retirement–income systems in OECD and G20 countries, OECD publishing, 2011.

27 World Bank. Closing the Coverage Gap : the role of social pensions and other retirement income transfers, Washington, 2009, p. 157.

ing the resource utilization of each program, it is possible to unleash significant budgetary resources.[27]

The time for reforms is actually critical: without the prolongation of retirement age and without incentives for the private pension accumulation, the deficit of state social insurance fund will be hihger and the trust of people in social insurance system could fell down. In addition, after economic crisis, the demographic and macro economical situation in Lithuania should improve (the wages should increase, unemployment decrease, growth of GDP).

On 15 June 2010 the Concept of the reform of state social insurance and pension scheme has been approved. The goal of the reform is to establish essential elements of the reform of state social insurance and pension scheme, after identification of the problems of this scheme, so that a foreseen new legal regulation will ensure the scheme's long-term financial sustainability and the scheme will guarantee adequate and target-oriented benefits and will be administered more efficiently. The goal of the pension reform will be pursued by implementing proposals based on the following principles:

1. Separation of pensions of solidarity and social insurance parts and other social insurance benefits in the scheme, "purification" of the scheme. The separation of the basic pension from the additional part of the pension may lead to a stronger and more obvious relation between contributions and benefits, and a wider differentiation of benefits, since the function of protection from poverty would be carried out in the pension scheme by the basic (or national) pension financed from general taxes.
2. Establishment of a clearer and stronger relation between contributions and benefits to encourage people to participate in the social insurance scheme by paying contributions and gaining rights to adequate benefits.
3. Establishment of a clear procedure for benefit indexation based on objective criteria.
4. Increasing the efficiency of the pension accumulation scheme, improved regulation of the scheme and its integration into the state pension scheme.
5. Gradual expansion of the funding base of the state social insurance fund by general taxes.
6. Establishment of a relation between the State Social Insurance Fund and the state budget by balancing financial flows, coordinating borrowing and the financing of pension accumulation, and by improving administration.
7. Integration of state pensions into the general social insurance and accumulation pension scheme.

In the long term perspective, several proposals fixed in the Concept: non-contributory social assistance pensions (ensuring a minimum protection of income at old age should be paid from the state budget; social insurance old-age pensions and work incapacity pensions should be paid from a separate budget of the state social insurance fund; to apply a new clearer formula for pensions and procedure for the establishment and indexation of the amount of pensions; to change the formula for calculation of the social insurance old-age pension by awarding a certain number of accounting units ("points") for each year of the social insurance record and contributions paid or to switch to the scheme of virtual personal accounts; to gradually switch to a new basic pension or a national pension financed from general taxes by expanding the funding base of the scheme; to separate the calculation of work incapacity benefits from that of old-age pensions in order to increase the clarity of the scheme and rationalize it; to optimize strategies for the investment of accumulated means in pension funds; to integrate state pensions into the general scheme of social insurance and cumulative pensions by paying higher contributions.

3.1. Political agreement

N.Barr and P.Diamond argues that the main cause of the pension "crisis" is a failure to adapt to long-run trends. The main source of financing problems is that, with the exception of adjustment to price and wage growth, defined-benefit systems have had a static design with no automatic adjustment to long-term trends.[28] It is the political tradition in Lithuania, that before the long-term reforms, the reform concept is approving. The Concept of the new pension reform in Lithuania has already been widely introduced to the society and organizations. The Lithuanian Parliament reached a wide political agreement and on 24 May 2011 adopted Guidelines of pensions and social security reform.

According to the obligation for the Government) as foreseen in the Parliament's Guidelines, the Government adopted the Measures plan for implementation of Parliament Guidelines (adopted in Government on June 8, 2011) and timetable for the preparation of the laws projects.

The reform will last few decades. The transitional period will start since 2012 and will last until 2026. Second stage will start form 2027.

The main aim of the reform as indicated in the Guidelines is to ensure that in future people would receive adequate pensions, that social insurance fund budget would be stable, non-deficit and that system of pensions would adjust more easily to economical and demographical changes. Several principles have been indicated in the Guidelines :

1. More transparency in the pension system – pension system participants should receive all information about pension rights, should know about system' benefits and should be constantly notified of the obtained rights to the state social security pension.

Transparency can be obtained introducing better management. First, independent social partners council liable for revision of the pension system could help to consolidate management and transparency of the pension system. Secondly, it's necessary to strengthen the State social insurance fund council's independence, responsibility, and extend its functionality.

2. Separation of the social insurance and social assistance. It means that we should seek for the better correlation between contributions and benefits and make labour market more flexible : gradually increase a retirement age (65) and later pensionable age should be flexible, pensions amounts should be related to the demographic and economic situation and government must encourage employment of elderly persons.

3. To establish clear indexation rules and clear relationship between social insurance fund and state budget. The pension benefits indexation should be linked to economic and demographic indicators (and not to the strong political impact). Other changes related to the new pension formula : to transfer of flat-rate basic pension to state budget and to introduce NDC (virtual accounts) system or accounting units ("points") system. All reforms should be made without raising of the level of the social insurance contributions.

4. Consolidation of privileged state pensions to the state social insurance system and to professional funds : to refuse privileged benefits in future, to reintegrate all state privileged pensions to the social

28 Barr, N., Diamond, P. Reforming pensions : principles and policy choices. New York : Oxford University press, 2008, p. 195.

insurance system and to create professional pension funds.

5. Better regulation and more efficiency in second pillar private funded pension schemes. In the first place, accumulation in second pillar gradually should be restored and voluntary pension accumulation should be encouraged. In the same time, measures for the better management must be introduced : introduction of the life-cycle investment system ; to analyze the possibility to introduce state pension fund ; to reduce assets fee and gradually abolishing contribution fee ; to reduce the total deductions from the pension asset levels ; to reduce the pension system participants the investment risk and to regulate the pension annuity sale process.

6. Better management of the social insurance fund is based to achieve the main goal-to balance the budget of the social security fund. In the first place, when the budget will be balanced, pension reserve fund should start functioning. Also the state budget is guaranteed (including interest rates of loans) when state social insurance fund is in the deficit and not enough the reserves in pension reserve fund. Other measures : better administration and control of the disability benefits ; to distinct health insurance and pension social insurance ; state social insurance fund board should pay all social insurance benefits (state pensions, unemployment benefits etc.).

3.2. Prolongation in the retirement age

Increasing in the pensionable age is strongly related to the longer life-expectancy.

One of the key recommendations of European Union is prolongation of pensionable age and changes in the pre-retirement pension schemes. Prolongation of pensionable age is common process in many European countries because of state social security pension system vulnerability, ageing and raising of life expectancy. European strategies indicate not only prolongation of retirement as well as working longer (especially for older workers). In the European Union's "Europe 2020 : Integrated guidelines for the economic and employment policies of the member states" is indicated that member states should emphasize promoting increased labour force participation through policies to promote active ageing.[29] European Commission in the Green paper "Towards adequate, sustainable and safe European pension systems" indicated that member states should : i) increase in pensionable age ; ii) rewarding later and penalising earlier retirement ; iii) moves from benefits based on earnings in best years towards entitlement based on working career average earnings ; iv) closing or restricting early exit pathways ; v) labour market measures to encourage and enable older workers to stay in the labour market and encouraging greater gender equality in the labour market.[30] M.Ferrera indicated that economic "fusion" requires the introduction of some common social standarts, rights and obligations through a socially-friendly institutional re-articulation of the novel Europeanised space of interaction and there are three reasons : to secure a fairer, more equitable distribution of life chances for EU citizens ("social justice" or "social cohesion" rationale), to improve the very functioning of the internal market and, thus generate more growth and job ("economic efficiency" rationale) and to secure continuing support for the integration process itself on the part of increasingly worried national elector-

---

29 European Commission. Europe 2020 : Integrated guidelines for the economic and employment policies of the member states. European Commission, Brussels, 2010.

30 European Commission. Green paper : towards adequate, sustainable and safe European pension systems. European Commission, COM(2010)365 final, Brussels, 2010.

ates ("social and political legitimacy" rationale).[31]

But prolonging one's working life is not appropriate for everyone (poor health, work in difficult conditions or persons have long contributions periods), so active ageing policies have to be combined with policies in other areas: promoting employment of older workers, combating prejudice and age discrimination, fostering employability and lifelong learning, ensuring a safe and healthy working environment and adapting working time, working life and work organization.[32]

On June 9, 2011 the Parliament approved the amendments to the Law on state social insurance pensions, whereby the retirement age will be gradually raised as of 2012. The retirement age will be increased by 4 months per year for women and 2 months per year for men as of January 1, 2012 until it reaches 65 years in 2026. Presently, the retirement age is 60 years for women and 62.5 years for men. This decision was adopted with regard to the longer lifespan after the retirement age. According to the data from the Department of Statistics of Lithuania, in 2009 the average life expectancy after 65 years of age in Lithuania was 13.38 years for men and 18.25 years for women. As compared to 2008, the life expectancy slightly increased, thus, according to Eurostat's estimates, it is likely to be even longer in the future (19 years for men and 22,6 years for women in 2050).

3.3. Accumulation for the private retirement pension

Stimulating activity of the private pension fund governments should adopt laws regarding better management of state–mandated and privately managed retirement saving schemes. In this field international organizations elaborated key policies and recommendations.

Private schemes can relieve some of the pressure on public pension provision, however, increasing reliance on private schemes has fiscal costs, given the widespread practice of providing tax incentives during the accumulation phase.[33] International social security association noted that in many countries, stronger regulation of private schemes to protect individual's savings is required.[34] International Labour Organization indicated that where the schemes were financed collectively and have been fully managed by State, the immediate impact has been small. In contrast, fully funded schemes, where individual savings have been invested in relatively volatile products, have sustained severe loses. States should implement following principles: regular actuarial studies, establishment of contingency reserve or stabilization funds and strict investment rules.[35] While some countries have directly tapped into national pension reserves, other countries have modified the regulations of pension funds to give

---

31 Ferrera, M. Mapping the components of Social EU: a critical analysis of the current institutional patchwork. *In* Marlier, E. and Natali, D. (eds.). Europe 2020: Towards a more social EU? Work and Society No. 69, P.I.E. Peter Lang S.A, Brussels, 2010, pp. 46–56.

32 International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011, pp. 88–89.

33 European Commission. Green paper: towards adequate, sustainable and safe European pension systems. European Commission, COM(2010)365 final, Brussels, 2010.

34 International social security association. Dynamic social security for Europe: choice and responsibility: developments and trends. International social security association, Geneva, 2010, p. 12.

35 International Labour Office. Social security and the rule of law: general survey concerning social security instruments in light of the 2008 Declaration on social justice for a fair globalization (ILC.100/III/1B). International Labour Office, Geneva, 2011, p. 183.

the government a greater say in the investments to the national economy.[36]

On June 28, 2011 the Government has approved changes in the funded pension scheme and submitted its proposals to Parliament. The aim to create opportunities for current and future retirees to decide how they would like to accumulate their pensions in future. According to the new proposed regulation, starting from 2013, the person's contribution to retirement pension will consist of three parts : the contribution transferred from state social insurance fund budget, contribution paid from person's earnings and from encouraging contribution paid by the State for participation in private accumulation.

Regarding to the first part of contribution, it is offered that possibility to participate in accumulation of pensions at current conditions, when contribution of 2% size from insurable earnings is transferred from state social insurance fund to the private funds and insurance companies, would remain. The currents size won't change (until 2020) and will the obligatory to every participant of this scheme. Since 2020 the first part of contribution would be increased from 2% to 3.5%.

If a person on his initiative and from his earnings decides to accumulate bigger part of pension in private funds and pay bigger contribution, this possibility will be allowed. It is offered that in this case since 2013 a person would pay contribution of 1% size, since 2016 –2% size from his insurable earnings to private pension fund (second part of contribution).

In order to encourage a person to accumulate in private funds, the state will financially encourage person : in this case an encouraging contribution (of size of 1% since 2013 and 2% since 2016 from an average wage in the economy) would be transferred from the state budget to a person's pension account.

During transitional period (from 1 January 2012 to 1 September 2012) persons would be able to return to accumulating their pension only in the state social insurance fund (as it was before 2004). The possibility to abort participation in accumulation in private funds will valid only until September 1, 2012.

Other changes related to the better regulation of the pension funds. The Government's approved the proposal to repeal the restriction to change the pension fund (actually it is possible to change pension fund for the first time only after three years). Pension fund or insurance company could be changed if a person is paid on behalf of at least one savings deposit.

It is also proposed to reduce the deductions from the assets fee and gradually abolishing contribution fee. It is therefore suggested that a maximum deductions from the assets in the conservative investment funds must be 0,7 percent in 2016, since 2016 – 0,6 per cent and in 2017−maximum 0,5 percent. Maximum deductions from the assets in the non−conservative investment funds must be 1 per cent until 2016. In 2016 it must be 0,9 percent and from 2017 maximum must be 0,8 per cent. It is also proposed that the maximum deduction from the contributions must be no more than 2 percent in 2012 and followed by a reduction of 0,5 percent every year until the total relocation.

3.4. State social insurance fund board reform

The aim of the State social insurance fund board institutional reform is to improve efficiency of activity and to improve customer service quality.

36 International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011, p. 62.

International social security association indicated strategies for better management of the social security institutions : reform is increasingly complex and must be undertaken in a coordinated and tailor–made manner to pursue multiple goals (i.e. adequate coverage ; improved cost–effectiveness ; pluralistic delivery mechanisms; appropriate regulation and governance; adjustment to demographic change) ; to ensure financial health of all programmes in a context of demographic ageing and to enable the provision of quality and choice in benefits and services ; improvements in policy–making require improvements in data collection ; to seek improvements and equity in the quality of services delivered.[37] In order to pursue a coherent vision, social security objectives should be clearly defined, institutional set–ups should respond to these objectives and they should be compatible with and serve wider social policy and economic policy objectives. Social security systems are only sustainable if they are designed to respond to people's needs and if they are seen to be properly and reliably managed, governments should increase efforts to provide adequate training in financial and general management as well as policy design in social security.[38]

After optimization of the structure of State social insurance fund board territorial institutions, the total amount of job positions will be reduced by 11.4%. None of the State social insurance fund board territorial divisions will be closed down, only the juridical status and subordinations will change (actually State social insurance fund board has 47 territorial units, will be 10). The order of servicing won't change but customer service quality will be improved. The reform will allow saving around 10.5 million LTL per year.

Conclusions

Today, it is clear that the traditional concept of the welfare state has changed, but it's a fact that fully liberal model or partial privatization of the pension system does not work. Pensions paid through a funded scheme do not necessarily work better, there is no perfect set of reforms because no two countries are starting from the same place and the best way of reducing the overall pensions burden is for people work longer and increasing in the retirement age.[39] Pension systems have been changing, and with good reason : many of the earlier structures were no longer well suited to social and economic environments that have changed profoundly. Thus countries should continue to pay attention to current practice and what best suits their current situation, and not indulge in nostalgia for earlier approaches that have been appropriately discarded.[40]

Article analysis leads to the following conclusions :

1. Today's situation shows that is not enough traditional social security concept and it's implementation mechanisms, therefore, we should look for common denominators across the EU. This is particularly true of pension systems, which are highly sensitive, cover all public and reforms are mostly long

37 International social security association. Dynamic social security for Europe : choice and responsibility : developments and trends. International social security association, Geneva, 2010, p. 29.

38 International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011, pp. 81–108, 121.

39 Special report pensions. The Economist, April 9th, 2011.

40 Barr, N., Diamond, P. Reforming pensions : principles and policy choices. New York : Oxford University press, 2008, p. 195.

–term type.

2. Pension systems are reformed searching for the best model and analyzing the best practices in the other countries, but at the same time, it is necessary to identify national economic, social and cultural phenomena searching consensus between the social partners, rather than just "import" one or the other pension model.

3. It is clear that governments implements pension reforms generally not in economic growth cycle and will never receive the full support of society. However the key policy is to rebuild the trust in public defined benefits schemes and private funded pension schemes. Participants of the private and public pension system should be constantly and clearly notified of the obtained rights to the state social security pension.

4. To maintain state role in pension system as pension rights guarantor. State should guarantee minimum pension and adequate pension level from the first pillar (which guarantees an adequate standard of living).

5. Therefore, the concept of social security should cover public state security schemes, state funded second pillar pensions and all private funded or occupational pension schemes. Social insurance pension calculation of the replacement rate should comprise not only public pensions but statutory private quasi/mandatory funded pensions (second and third pillar).

6. The challenges for the Lithuanian pension system is still ageing population (especially low fertility rate), low employment rate of active population, low pension's benefit level and poverty of older persons, no clear indexation rules hudge emigration and projected increase in pension expenditures.

7. Pension system has to respond directly to changes in the structure of society and must be very closely related to the flexibility of labor relations regulation (introducing part–time or half–day employment, providing opportunities for longer and less interrupted contributory careers, introducing the positive returns from financial markets, more lifelong learning etc.), creation of better working conditions and the changing the approach of employers towards older workers.

8. It is necessary to intensify the pension reform in Lithuania because of sharpening of the demographic and social changes. The main goals should be : to encourage and extend employment (especially for the older workers, women and young persons), to revise all social security system pay–offs ; to balance the budget of the social security fund and to introduce pension reserve fund ; to decrease an administrative costs ; to introduce pension benefits indexation rules ; to reform unemployment social security system and to reduce the early retirement pension system (intruding flexible retirement and strengthening the good or bad system in pension scheme) ; to introduce an automatic adjustment mechanisms is to maintain the balance between revenues and liabilities in pension system (life expectancy to pension eligibility or replacement rates).

9. To introduce measures for better and stricted private pension funds management (improving management, decreasing administrative costs, the safety and efficiency of benefit accrual, better risk mitigation and enhanced capacity for shock absorption).

10. Because of not active participation, government should encourage a third pillar voluntary pension and occupational pension schemes, assigning a certain part of liability for his own welfare to a person himself.

Thus, it is definitely clear that Lithuanian government should continue pension system reforms. A declining fertility rate, longevity and other facts of ageing population challenged the need to increase the social security contributions, to revise benefits level and to raise the retirement age. But budget deficit is still considerable and ageing is significant.

The main task of Lithuanian government should be focused on the question how to raise a number of employment and contributors (including especially young persons and women), reform second pillar system and how to increase confidence in the system. Employment and labor market system reform issues should be considered in the field of pension system reform. Excessively high tax and social security contributions can reduce the burden of Lithuanian competitiveness in a globalized world and could eliminate the motivation to participate in the pension system.

References

1. Barr, N., Diamond, P. Reforming pensions : principles and policy choices. New York : Oxford University press, 2008.
2. Bitinas, A. *Socialinės apsaugos teisė Europos Sajungoje : pensijų sistemų modernizavimas* [Social protection law in the European Union modernization of the pension system]. Vilnius : Mes, 2011.
3. Charpentier, F. *Les retraites en France et dans le monde : nouvelles problématiques*. Paris : Economica, 2009.
4. European Commission. The 2009 Ageing report : economic and budgetary projections for the EU –27 member states (2008–2060). European Commission, Luxembourg, 2009.
5. European Commission. Europe 2020 : Integrated guidelines for the economic and employment policies of the member states. European Commission, Brussels, 2010.
6. European Commission. Communication from the Commission Europe 2020 : A strategy for smart, sustainable and inclusive growth. European Commission, Brussels, 2010.
7. European Commission. Green paper : towards adequate, sustainable and safe European pension systems. European Commission, COM(2010)365 final, Brussels, 2010.
8. European Commission. Joint report on pensions : Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (country profiles). EPC Secretariat, SPC secretariat, Brussels, 2010.
9. European Commission. Joint report on pensions : Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (occasional paper). EPC, SPC, DG for Economic and Financial Affairs and DG Employment, Social Affairs and Equal Opportunities, Brussels, 2010.
10. Heredero A. G., *Social security as a human right. The protection afforded by the European Convention on Human rights*. Council of Europe Publishing, Strasbourg, 2007.
11. International Labour Office. World social security report 2010/2011 : providing coverage in times of crisis and beyond. International Labour Office, Geneva, 2010.
12. International Labour Office. Social security and the rule of law : general survey concerning social security instruments in light of the 2008 Declaration on social justice for a fair globalization (ILC.100/III/1B). International Labour Office, Geneva, 2011.
13. International Labour conference "Social security for social justice and a fair globalization". International Labour Office, Geneva, 2011.

14. International Monetary fund. *Increasing dependancy ratios, pensions and tax smoothing (working paper No. WP/98/129)*. Washington : IMF, 1998.

15. International Monetary fund. *Pension regimes and saving (occasional paper No. 153)*. Washington : IMF, 1997.

16. International social security association. Dynamic social security for Europe : choice and responsibility : developments and trends. International social security association, Geneva, 2010.

17. Marlier, E. and Natali, D. (eds.). Europe 2020 : Towards a more social EU? *Work and Society*, No. 69. P.I.E. Peter Lang S.A, Brussels, 2010.

18. OECD. Pensions at a Glance : Retirement–income systems in OECD countries, 2009 [interactive]. [accessed 12–04–2011]. <www.oecd.org/els/social/pensions/PAG>.

19. OECD. *Pensions at a Glance 2011. Retirement–income systems in OECD and G20 countries*. OECD publishing, 2011.\

20. OECD. *Economic outlook*. OECD publishing, 2010, No. 88, Vol. 2010/2.

21. OECD. *Reforming public pensions : social policy studies*. OECD publishing, 1988, No. 5.

22. Special report pensions. *The Economist*. April 9th, 2011.

23. N.Takayama. *Shared Responsibility for Retirement Income : The Asian Perspective*. AARP Reinvesting Retirement Asia Conference, Workshop 2, Tokyo, 15 March 2007.

24. The Constitution of the Republic of Lithuania. *Official Gazette*. 1992, No. 33–1014.

25. World Bank. Closing the Coverage Gap : the role of social pensions and other retirement income transfers, Washington, 2009.

26. World Bank. The Financial Crisis and Mandatory Pension Systems in Developing Countries [http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNote-Financial_Crisis_12-10-2008.pdf]